

# Maurice Hinchey NEWS

## 26<sup>TH</sup> CONGRESSIONAL DISTRICT, NEW YORK

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### HINCHEY APPLAUDS FED ACTION TO LOWER INTEREST RATES

WASHINGTON - U.S. Rep. Maurice Hinchey (D-NY) today praised the Federal Reserve Open Market Committee's (FOMC) decision to lower interest rates one-half point to 5.5 percent. Hinchey has long argued that the FOMC has been unduly concerned with staving off inflation and has ignored the need to stimulate economic growth. He has been severely critical of the Fed's decisions to raise interest rates in recent years.

"This cut is essential," said Hinchey. "It's an indication that the Fed went too far with their previous interest rate increases. These excessive increases are responsible for the current slow down in our economy and I am pleased that the Fed has finally recognized its role in economic downturn."

Citing the continuing erosion of consumer and business confidence, the FOMC voted today to cut its target for the federal funds rate -the interest rate banks charge each other on overnight loans - from 6 percent to 5.5 percent. The half-point decrease was expected to be quickly followed by announcements from commercial banks that they would be reducing their prime lending rate from 9 percent to 8.5 percent. The Fed also lowered its discount rate -the interest it charges to make direct loans to banks- by a half point to 5 percent.

Starting in June 1999 the Fed raised rates six straight times before finally lowering the rate a half point earlier this month. Today's announcement marks the first time since Alan Greenspan became Fed Chairman in 1987 that the rate has been cut by a full point in a single month.

"The Fed was correct today when it said that our current circumstances call for a 'rapid and forceful response'," added Hinchey. "But had this action been taken earlier, we would not have reached these circumstances in the first place."